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## Guatemala

### COFFEE ANNUAL

## Coffee Production and Exports of Guatemala

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**Report Highlights:**

Coffee production for MY 2009 is forecast to drop to 3.7 million bags, 7 percent lower than MY 2008 production. The MY 2008 production has been increased 4 percent above the previous year, to 3.98 million bags. Total bean exports for MY 2009 are estimated at 3.4 million bags, 12 percent down from the 3.82 million bags exported in MY 2008, due to trade reduction worldwide. Guatemala has positioned itself as a marketing leader with worldwide recognition for its specialty coffee, and will host the Third World Coffee Conference in February 2010.

**Executive Summary:**

Coffee production for MY 2009 is forecast at 3.7 million bags, 7 percent down from MY 2008. Export volumes for MY 2009 are estimated to decrease 12 percent. Guatemalan coffee is being marketed more as a specialty product rather than a commodity. The United States is still Guatemala's biggest customer, accounting for 44 percent of all exports, Japan follows and increased its share to 19 percent of total exports. After coffee gained immediate duty-free access to Taiwan under the Guatemala-Taiwan Free Trade Agreement, coffee exports to that

country have been growing. Guatemala has positioned itself as a marketing leader with worldwide recognition. Alliances have been made to increase production and exports of high quality, certified coffee. The "Cup of Excellence", Guatemala's on-line Coffee Auction Program, received a meritorious recognition from the World Summit of the Information Society (WSIS). Domestic consumption has experienced a slight increase in the past two years through marketing strategies that involve coffee-soda beverages, Internet cafés, and specialty coffee shops and restaurants. Domestic consumption has doubled in the past five years.

**Commodities:**

Coffee, Green

**Production:**

Post forecasts coffee production in MY 2009 to drop to 3.7 million bags. International coffee prices have not promoted growth and investment. After maintaining planted area constant for the last 5 years, new planted area of 4,000 Ha after Hurricane Stan (October 2005) has not come into full production yet. The high cost of fertilizers has reduced usage which has negatively affected yields. Post also forecasts that exports for MY 2009 will drop 12 percent to 3.4 million bags, compared to the 3.8 million bags exported during MY 2008.

Guatemala has experienced a very interesting change in coffee production over the last 25 years. In 1980, 20 percent of production was hard and strictly hard beans, the higher quality beans that bring better prices in the market. The lower qualities, prime and extra prime, accounted for 80 percent of coffee production. Guatemalan coffee producers recognized the problems inherent in relying so extensively on lower quality product, so they made a strategic decision to focus on high quality coffee. By 2005, 80 percent of the coffee production was hard and strictly hard, while prime and extra prime represented 20 percent. Although total coffee production has dropped (due in part to low international prices in the early 2000's), the financial security of the industry has strengthened. Currently, about 80 percent of production is carried out on small and medium sized farms, located in high altitude zones that produce hard and strictly hard beans.

**Consumption:**

Consumption estimates for MY 2009 are 335,000 bags, the same as in 2008. Coffee consumption in Guatemala is less than 2 kilograms per person. The National Association of Coffee Producers, ANACAFE, is trying to increase domestic consumption by educating consumers on quality coffee and proper preparation, through strategic cooperation with the National Institute for Training (INTECAP) and the Guatemalan Chefs' Association. ANACAFE cooperated with Pepsi to introduce a new beverage called "Pepsi Cappuccino." The increase of internet cafes, "McCafés" in McDonald's, and specialty coffee shops and restaurants, is further stimulating consumption. In the last two years Guatemala has opened at least five new chains of specialty coffee shops and coffee restaurants, Café Barista and Cafe Saul being the most successful ones. Both Café Barista and McCafés have recently opened their drive-through services with considerable success. Others coffee shops in the country include: &Cafe, Cafe Gitane, Cafe Saul, El Cafetalito, and Cafe Leon. Recently, coffee shops have been opened inside supermarkets.

Prior to 2005, Guatemala imported 20,000 bags of coffee beans, mainly from Costa Rica, and soluble coffee was produced domestically. Gourmet coffee was not readily available in the markets or supermarkets. Since 2005, there has been a shift from imported coffee beans to its complete substitution by soluble coffee, mainly decaf coffee coming from the U.S. Imports of soluble coffee have doubled in the past two years.

### Trade:

Export Trade Matrix			
Country	Guatemala		
Commodity	Coffee, Green		
Time period	CY	Units:	60 Kg bags
Exports for:	2007		2008
U.S.	1,800,000	U.S.	1,817,883
Others		Others	
Japan	380,000	Japan	570,083
Germany	302,000	Germany	286,200
Canada	270,000	Canada	266,050
Nordic Countries	200,000	Nordic Countries	396,800
Total for Others *	450,000	Total for Others *	450,000
Others not Listed	48,000	Others not Listed	50,984
Grand Total	3,450,000	Grand Total	3,830,800
* Total others is Other European Countries			

Guatemala's MY 2009 exports are estimated to reach 3.45 million bags, 12 percent lower than MY 2008.

The United States is still Guatemala's biggest customer, accounting for 44 percent of all exports. Japan, Germany, Canada, and the Netherlands are the next top export destinations. Japan has become a much more important customer for Guatemalan coffee, rapidly increasing its share from 10 percent in CY 2007 to 19 percent in CY 2008. In 2003, exports to Japan were roughly 250,000 bags and by 2008 exports to Japan reached 570,083 bags. Suntory, Japan's beverage manufacturer, in cooperation with ANACAFE developed the canned coffee product "Rainbow Mountain" and is successfully selling it throughout Japan. Guatemala signed a Free Trade Agreement (FTA) with Taiwan in 2005 that went into effect July 1, 2006. Under this FTA, coffee got immediate duty-free access to this Asian market. For MY 2008 exports to Taiwan showed a considerable upswing. Guatemala continues to seek new markets which demand specialty coffee.

### Stocks:

Post's updates estimate MY 2009 ending stocks reflect more recent information provided by ANACAFE.

**Policy:**

Five years ago, the Government of Guatemala authorized a US\$100 million trust fund to assist coffee farmers during the price crisis. The trust fund was managed by ANACAFE and has provided financial assistance to coffee farmers at low interest rates. In addition, USAID and the Inter-American Development Bank (IDB) are supporting coffee farmers with loan programs to help them recover from the low prices of a few years ago. Guatemala's coffee efforts have also been recognized by the International Coffee Organization (ICO), which has provided the sector with US\$ 4 million to be used in their competitiveness program. ANACAFE has supported the initiative with an extra US\$2 million during this same period.

**Marketing:**

ANACAFE has a very active marketing program focusing on the high quality and the variety of its coffee. Consumer recognition of Guatemalan coffee is increasing, both through fresh hot coffee sales which take place in coffee shop chains such as Starbucks, as well as in ready-to-drink packages (either cold or hot) in Japan. ANACAFE's marketing strategy includes differentiating its various designated varieties by special colorful and easily recognizable packaging. Varieties include Rainforest Coban, New Oriente, Antigua Coffee, Fraijanes Plateau, Volcanic San Marcos, Traditional Atitlan, Highland Huehue, and Acatenango Valley (introduced in April 2006). This approach was possible through the creation of coffee profiles based on high technology GPS analysis of specific regions to ensure coffee traceability to origin of high valued sales. For more details please visit [www.guatemalancoffees.com](http://www.guatemalancoffees.com).

During the last World Fair of the Specialty Coffee Association of America, Guatemala was selected as the "compass" that guides producers of gourmet coffee all around the world. This fair hosted more than 7,000 representatives from different countries. In February 2006, ANACAFE signed a strategic alliance with the Alliance for Sustainable Certified Products (formed by USAID and the Rainforest Alliance) to promote capacity building among producers interested in obtaining certification. Starbucks is also investing in the country to promote social welfare in the coffee producing areas.

Presently, Rainforest Alliance has certified over 8,500 hectares of specialty coffee. Rainforest Alliance certified products are sold to eleven European countries. Other buyers of Guatemalan coffee are UCC, Key Coffee, Boyds, Diedrichs Coffee, Mayorga Coffee Roasters, and others.

Guatemala received a Meritorious Recognition Award from the World Summit of the Information Society (WSIS) for its Internet Auction Program for Guatemalan coffee known as the "Cup of Excellence". This program started in 2004 and has expanded each year. In MY 2007, buyers paid up to US\$10.50 per pound for Guatemalan bourbon coffee. In May 2007, Guatemala won second place among 104 coffee gourmet competitors, in the Roaster Guild Cupping Pavilion, which is promoted annually by the Specialty Coffee Association of America (SCAA).

INTERMOM OXFAM has promoted Guatemalan coffee at fair trade level throughout Spain. The Japanese coffee chain Tully's Coffee is promoting small cooperatives production lots to be tasted at Japan.

**Production, Supply and Demand Data Statistics:**

Coffee, Green Guatemala	2008	2009	2010
	2007/2008	2008/2009	2009/2010
	Market Year Begin: Oct 2007	Market Year Begin: Oct 2008	Market Year Begin: Oct 2009

	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed	Jan
			Data			Data		Data
Area Planted	276	272	272	276	272	272	272	272
Area Harvested	225	225	225	225	225	225	225	2,253
Bearing Trees	864	864	864	864	865	865	865	865
Non-Bearing Trees	96	96	96	96	95	95	95	95
Total Tree Population	960	960	960	960	960	960	960	960
Beginning Stocks	125	125	125	55	10	10	30	18
Arabica Production	3,950	3,970	3,970	3,900	3,700	3,690	3,750	3,790
Robusta Production	10	10	10	10	10	10	10	10
Other Production	0	0	0	0	0	0	0	0
Total Production	3,960	3,980	3,980	3,910	3,710	3,700	3,760	3,800
Bean Imports	0	0	0	0	0	0	0	0
Roast & Ground Imports	0	3	3	0	3	3	3	3
Soluble Imports	40	60	60	40	40	40	40	30
Total Imports	40	63	63	40	43	43	43	33
Total Supply	4,125	4,168	4,168	4,005	3,763	3,753	3,833	3,851
Bean Exports	3,800	3,820	3,820	3,600	3,398	3,400	3,450	3,500
Rst-Grnd Exp.	0	0	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0	0	0
Total Exports	3,800	3,820	3,820	3,600	3,398	3,400	3,450	3,500
Rst,Ground Dom. Consum	250	320	320	250	320	320	322	325
Soluble Dom. Cons.	20	18	18	20	15	15	15	10
Domestic Use	270	338	338	270	335	335	337	335
Ending Stocks	55	10	10	135	30	18	46	16
Total Distribution	4,125	4,168	4,168	4,005	3,763	3,753	3,833	3,851
Exportable Production	3,690	3,642	3,642	3,640	3,375	3,365	3,423	3,465